

Bachus Statement During Consideration of Republican Substitute To Financial Product Approval Agency

October 15, 2009

WASHINGTON -Ranking Member Spencer Bachus made the following statement today during Committee consideration of the Republican substitute to the Democrats' Financial Product Approval Agency.

"Mr. Chairman, I strongly support the Republican Substitute being offered by the gentlewoman from Illinois.

"The underlying legislation will create a very large and expensive new government bureaucracy with broad and ambiguous powers that will ration credit and limit consumer choice. The legislation gives the new agency and its czar-like chairman the power to impose both fees and taxes on all financial products which are broadly defined. It is not about consumer protection; it is about creating a new Financial Product Approval Agency with the powers to review and approve financial products. Real consumer protection involves consumer choice, competitive markets, vigorous enforcement of anti-fraud laws, effective disclosure and product innovation. That is not what the Democratic proposal does.

"Placing broad rulemaking authority in the hands of an untested agency will limit innovation and restrict credit. Now is not the time to restrict choice and credit, especially when our small businesses-the engine of our economy and our number one job creators-are having trouble obtaining the credit they need to grow and create jobs.

"Mr. Chairman, H.R. 3126 creates a new government agency that separates consumer protection from safety and soundness regulation which ignores the root causes of the financial crisis. This separation will lead to turf battles that will undermine both consumer protection and the safety and soundness of financial institutions. As we saw with the failure of Fannie and Freddie, the consequences of bifurcating consumer mandates and safety and soundness regulations can place taxpayers at risk to bail out companies. Our financial regulators have testified on the benefits and synergies of having consumer protection and safety and soundness supervision conducted by the same agency. As Federal Reserve Chairman Ben Bernanke stated: "We believe there are also advantages in maintaining supervision of consumer protection in the same agency that provides safety and soundness supervision. The two are linked both substantively and practically. There are substantial efficiency and information advantages from having the two functions housed in the

same agency."

"Mr. Chairman, I understand that there will be an amendment offered later that purports to "carve out" small institutions from the regulatory dragnet of the CFPB. We will see in a few moments how that "carve out" is an illusion. If Members want to protect the customers of community financial institutions, the best way to do that is to support the Biggert Substitute. The Biggert Substitute guarantees that prudential regulators with the most complete understanding of the regulated institutions will offer fair and appropriate financial products. Unlike the CFPB -- a disconnected, super-agency completely divorced from the safety and soundness considerations of the bank regulators -- the Council envisioned by Mrs. Biggert appropriately combines safety and soundness and consumer protection.

"The Republican Substitute uses the structure of an existing council and the prudential regulators to protect consumers. The Substitute provides the Federal Financial Institutions Examination Council with explicit authority to adopt uniform consumer protection rules and examination practices, subject to the Administrative Procedures Act, that would be adopted jointly with and enforced by the prudential regulators.

"Mr. Chairman, when American consumers and small businesses are experiencing an unprecedented credit crunch, Congress should not create a new, expensive federal bureaucracy whose mission is to ration credit and limit choice. I urge my colleagues to join me in support of the Republican Substitute and I yield back the balance of my time."

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